

Message Text

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20-12

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 DRC-01 IO-14 DODE-00 PA-04

PRS-01 SSO-00 NSCE-00 INRE-00 USIE-00 /164 W

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O P 310005Z JAN 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC IMMEDIATE 4617

INFO AMEMBASSY GUATEMALA PRIORITY

AMEMBASSY TEGUCIGALPA PRIORITY

AMEMBASSY SAN JOSE

AMEMBASSY MANAGUA

CONFIDENTIAL SAN SALVADOR 0402

E.O. 11652 GDS

TAGS: FIN, XK; EAD; ES

SUBJ: CABEI-GOES RUNS OUT OF PATIENCE ON CACM

1. THE 13TH REGULAR SESSION OF THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CAEBI), HELD HERE JANUARY 28 AND 29, ENDED DRAMATICALLY WITH A SURPRISE GOES DECISION TO WITHHOLD ADDITIONAL SUPPORT OF CABEI UNTIL IT PERCEIVES THAT "THERE IS SIGNIFICANT ADVANCE, WITHIN REASONABLE TIME, OF THE RESTRUCTURING AND IMPROVEMENT OF THE CACM TO THE BENEFIT OF ALL." GOES REFUSAL WAS ON AGENDA POINTS 5 AND 6, I.E. TO INCREASE THE AUTHORIZED CAPITAL OF CABEI FROM \$60 TO \$175 MIPLIONS AND TO APPROVE A CAPITAL CALL OF \$15 MILLION (\$3 MILLION EACH COUNTRY.

2. FROM CONVERSATIONS WITH ECONOMIC MINISTER HIDALGO QUEHL AND CENTRAL RESERVE BANK (BCR) OFFICIALS IT APPEARS THAT THE OFFICIAL,

PUBLIC STATEMENT CAN BE INTERPRETED LITERALLY EXCEPT THAT THE GOES CONFIDENTIAL

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EXASPERATION IS DIRECTED MAINLY AT HONDURAS. HOWEVER, THE

STATEMENT, WHICH CHARGES THAT THE CACM IS NOT FUNCTIONING PROPERLY AND THAT THERE IS A LACK OF POLITICAL WILL WITH REGARD TO THE RESTRUCTURING EFFORT BY "COME OF OUR SISTER REPUBLICS", DOES NOT SINGLE OUT HONDURAS BY NAME. AS MINISTER HIDALGO QUEHL PUT IT, "WE HAVE BEEN PATIENT FOR FOUR YEARS, AT THE FOREFRONT OF ATTEMPTS TO IMPROVE THE CACM AND RECONCILE DIFFERENCES, BUT WITH NO SUCCESS RELATIVE TO OUR NEIGHBOR TO THE NORTH". A BCR OFFICIAL STATED: "THE HONDURANS ARE THE FIRST TO WITHDRAW FROM CACM TREATIES AND INSTITUTIONAL OBLIGATIONS BUT ALWAYS AT THE HEAD OF THE LINE WHEN THERE IS MONEY TO BE GIVEN."

3. WEATHER THAT THE ACTION TOOK AT LEAST THE GOH AND GON BY SURPRISE IN ITS TIMING. THE SESSION EXCLUDED ADVISORS AND DID NOT GET INTO SUCH ISSUES AS THE PROPOSED SOCIAL DEVELOPMENT FUNDS, SINCE THAT WOULD NECESSITATE INCREASING THE AUTHORIZED CAPITAL. MINISTER HIDALGO QUEHL HOPES THAT THE FORTHCOMING MEETING OF MINISTERS IN EARLY FEBRUARY WILL RESULT IN A NEW SCHEDULE OF WORK FOR THE HIGH LEVEL COMMISSION AND A RENEWED COMMITMENT TO ADVANCE ITS WORK. THE NEXT MEETING OF CABEI IS PROPOSED IN 60 DAYS.

4. COMMENT: THE SUDDENNESS OF THIS DECISION WAS SURPRISING; BUT THE OTHER CENTRAL AMERICAN GOVERNMENTS HAVE KNOWN ALL ALONG EL SALVADOR'S GROWING IMPATIENCE AND DISSATISFACTION OVER WHAT THE GOES CONSIDERS TO BE VIOLATIONS BY THE OTHERS OF CACM TREATY COMMITMENTS TO EL SALVADOR'S DETRIMENT. THE SALVADORANS VIEW THEIR RECORD AS BEING OUT IN FRONT OF THE INTEGRATIONISTS AND, WITH REGARD TO HONDURAS, MOST COOPERATIVE IN CONTINUING TO SUPPORT ACTIVITIES IN WHICH THE GOH WAS STILL INVOLVED, SUCH AS CABEI. WE DO NOT DETECT GOES UNHAPPINESS THAT HONDURAS IS A RELATIVELY LARGE BENEFICIARY OF CABEI, BUT RATHER RESENTMENT THAT HONDURAS COOPERATES ONLY WHERE IT IS GUARANTEED A LARGE RETURN.

5. ADDITIONAL COVERAGE AND COMMENTS WILL BE FORTHCOMING IN SUBSEQUENT REPORTS.

MOSKOWITZ

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